

Order 2003-6-2



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 2nd of June, 2003

Essential air service at

**PRESQUE ISLE, MAINE
AUGUSTA/WATERVILLE, MAINE
BAR HARBOR, MAINE
ROCKLAND, MAINE, AND
RUTLAND, VERMONT**

under 49 U.S.C. 41731 *et seq.*

Served: June 5, 2003

**Docket OST-2000-8012
Docket OST-1997-2784
Docket OST-1997-2784
Docket OST-1997-2784
Docket OST-1997-2784**

ORDER TO SHOW CAUSE

SUMMARY

By this order, the Department is tentatively reselecting Colgan Air, Inc., d/b/a US Airways Express, to provide Essential Air Service (EAS) at Augusta/Waterville, Bar Harbor, Presque Isle, and Rockland, Maine, and requesting competing proposals from other carriers. The order also directs interested parties to show cause why we should not terminate subsidy for EAS at Rutland, Vermont, and allow Colgan to suspend service there. Objections are due within 20 days of the service date of this order.

DISCUSSION

By Order 2001-1-22, we reselected Colgan to provide EAS at Augusta/Waterville, Bar Harbor, and Rockland, Maine, and Rutland, Vermont, through December 31, 2002, at an annual subsidy rate of \$2,536,579. Order 2002-3-27, which provided program-wide rate relief for all subsidized carriers in response to the terrorist attacks on September 11, increased this rate to \$4,823,420 annually. Colgan Air has provided subsidized service to these communities for many years. Likewise, by Order 2001-2-9, we selected Colgan to provide EAS at Presque Isle, Maine, through May 31, 2003, at an annual subsidy rate of \$1,082,408. Order 2002-3-27 increased this rate to \$1,480,512 annually. This order sets final rates that go into effect at the expiration of those contracts until further Department action, and directs interested parties to show cause why we should not reselect Colgan at those rates for another two-year period. As discussed later, we also propose to terminate subsidy-support for Rutland because the amount of subsidy needed to continue service far exceeds the statutory \$200 per passenger ceiling.

Under our normal procedures when nearing the end of a rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. If the carrier wishes to continue service with subsidy, we usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting the carrier for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited Colgan to submit proposals for continuation of essential air service at these communities.

3

CARRIER SERVICE PROPOSAL

In response to our inquiry, Colgan submitted and negotiated a renewal proposal for an additional two-year rate term. (See Appendix B to this order for a summary of the subsidy computations for Colgan.) Colgan's proposed service would be the same as the historical service level. At Rutland and Presque Isle, the carrier would provide three nonstop round trips a day to Boston. At Augusta/Waterville and Bar Harbor, Colgan provides two nonstop and two one-stop round trips per day, and at Rockland, one one-stop and three nonstop round trips per day. Historically, Colgan has provided extra service in the peak period to Bar Harbor, Presque Isle, and Rockland. After informal rate discussions between the carrier and the Department staff, Colgan agreed to annual subsidy rates of \$1,166,135 at Presque Isle, \$1,514,905 at Rutland, and \$3,207,683 at Augusta/Waterville, Bar Harbor, and Rockland.

TENTATIVE RESELECTION

We will tentatively reselect Colgan to provide essential air service at all of these communities as detailed in Appendix C, for an additional two-year period, except for Rutland. The level of service is the same as before. The proposed rate of \$1,166,135 at Presque Isle reflects a significant reduction from the current rate of \$1,480,513. The combined rate of \$4,722,588 at the other four communities is slightly less than the prior rate of \$4,823,420, notwithstanding that Rutland's traffic has decreased dramatically from the last round.¹ Since Colgan's contract at Augusta/Waterville, Bar Harbor, Rockland, and Rutland expired on December 31, 2002, the rate will be effective January 1, 2003. At Presque Isle, the new rate will be effective June 1, 2003.

REQUEST FOR PROPOSALS

We request that carriers interested in providing EAS at Presque Isle, Bar Harbor, Rockland, and/or Augusta/Waterville, with or without subsidy requests, file proposals within 20 days of the date of service date of this order. We will give full consideration to all proposals filed in a timely manner. We ask that carriers submit proposals for three round trips a day to Boston, with 15-seat or larger, pressurized aircraft. We will also entertain other proposals, including service to other hubs that provide access to the national air transportation system, in order to give the Department and the community as broad an array of proposals as possible from which

¹ Even though we are tentatively terminating subsidy for Rutland, because Colgan's subsidy rate expired on December 31, 2002, we must set a new subsidy rate to ensure that the carrier is properly compensated for its service.

to choose. As always, we will formally solicit the community's views on any service options we receive before making a long-term carrier selection decision.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals filed in a timely manner.

SERVICE HISTORY AND TRAFFIC DATA

Colgan Airlines has served these communities for a number of years. In order to assist potential applicant carriers in making their passenger and revenue forecasts, we have included historical passenger levels for the last several years in Appendix D. Carriers should be aware that these traffic levels reflect all of the service at the communities and that Colgan has consistently provided more than the required level of service at Presque Isle, Bar Harbor, and Rockland.

PROCEDURES FOR FILING PROPOSALS

For interested carriers unfamiliar with our procedures and recommended forms for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f) and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred.

However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.²

² Copies of these documents can be obtained from: EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, DC 20590. Telephone requests for these documents are accepted at (202) 366-1053.

COMMUNITY AND STATE COMMENTS

If we receive competing proposals the communities and State are welcome to submit comments on the proposals at any time.³ Early in the proceeding, comments on the perceived strengths and weaknesses of the proposals would be particularly helpful to the Department, although the civic parties may also express a preference for a particular carrier or proposal option at that time, if they choose. In any event, after we conclude rate conferences with all applicants, we would provide a summary of the conference results to the civic parties and ask them to file their final comments.⁴

OTHER CARRIER REQUIREMENTS

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁵ Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements, as well as copies of the certifications, should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

CARRIER FITNESS

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. The Department has routinely monitored the carrier's continuing fitness. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Colgan remains fit. Colgan has experience providing essential air service at these communities, and, based on its operating record, we find that the carrier continues to be fit to provide the essential air transportation at issue in this case.

³ Civic parties should file an original and five copies of their comments in Docket OST-97-2649. Comments should be addressed to: Documentary Services Division, Docket Section, M-30, Office of the Secretary, U.S. Department of Transportation, Room PL 401, 400 Seventh Street, S.W., Washington D.C. 20590.

⁴ In cases where a carrier proposes to provide full essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service.

⁵ The regulations applicable to these areas are: (1) 49 CFR Part 20 - New restrictions on lobbying; (2) 49 CFR Part 21 - Nondiscrimination in federally-assisted programs of the Department of Transportation - Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 - Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 - Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 - Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

TENTATIVE TERMINATION OF SUBSIDY AT RUTLAND

Order 2001-1-22 reduced Colgan's service at Rutland from four nonstop round trips a day to three because traffic had declined, notwithstanding the high level of service. As shown in Appendix D, traffic has continued to decline at Rutland. The subsidy rate we have negotiated with Colgan projects an annual subsidy need of \$1,514,905. Historical passengers at Rutland have continued to trend down, with only 4,067 transported for the year ended March 31, 2003. With the expansion of low-fare service, Rutland has become closer to that alternative. It is only 90 miles from Albany, 69 miles from Burlington, and 118 miles from Manchester. It appears that local commuter service to Boston can no longer compete with the highway to those low-fare hubs.

The Department is prohibited from subsidizing service at communities where the subsidy amounts to more than \$200 per passenger, unless they are more than 210 miles from the nearest large or medium hub.⁶ Based on the latest traffic data, Rutland's subsidy per passenger is \$372.49, well above the \$200 ceiling, and it is considerably less than 210 miles from Manchester, New Hampshire, the nearest large or medium hub. Annual traffic at Rutland would have to increase more than 80% from the most recent level, to 7,574, for Rutland to remain within the \$200 subsidy per passenger ceiling. Under the circumstances, we tentatively find that Rutland is no longer eligible for subsidy under the essential air service program, and we have tentatively decided to allow Colgan to suspend its service on August 1, 2003.

We will give interested persons 20 days after the service date of this order to submit objections. Objections should be fully documented and contain complete information on the data used by the person objecting. If we later finalize our tentative findings and Colgan decides to suspend service, we will expect it to contact all passengers who hold reservations for flights that will be suspended, to inform them of the suspension, and to assist them in arranging alternate transportation.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. The Department tentatively reselects Colgan Air, Inc., to provide essential air service at Augusta/Waterville, Bar Harbor, Presque Isle, and Rockland, Maine;
2. The Department sets the final rate of compensation for Colgan Air, Inc., for the provision of essential air service at Augusta/Waterville, Bar Harbor, and Rockland, Maine, for the period from January 1, 2003, through May 31, 2005, as described in Appendix C-1, payable as follows: for each calendar month during which essential air service is provided, the amount of

⁶ Congress first imposed the \$200 ceiling and 70-mile proximity standard in fiscal year 1990 appropriations language, and generally repeated them in appropriations from 1994 through 1999. Congress then made them permanent subsidy-eligibility standards by the Department of Transportation and Related Agencies Appropriations Act, 2000, P.L. 106-69.

compensation shall be subject to the weekly ceilings and shall be determined by multiplying the subsidy-eligible flights to and from Boston completed during the month by \$441.65;⁷

3. The Department sets the final rate of compensation for Colgan Air, Inc., for the provision of essential air service at Rutland, Vermont, for the period from January 1, 2003, until further Department action, as described in Appendix C-2, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings and shall be determined by multiplying the subsidy-eligible flights to and from Boston completed during the month by \$834.20;⁸

4. The Department sets the final rate of compensation for Colgan Air, Inc., for the provision of essential air service at Presque Isle, Maine, for the period from June 1, 2003, through May 31, 2005, as described in Appendix C-3, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings and shall be determined by multiplying the subsidy-eligible flights to and from Boston completed during the month by \$608.31;⁹

5. These rates are in lieu of, and not in addition to those set by Order 2003-1-11;

6. In the event objections or competing proposals are received, the rate in ordering paragraphs (2) through (4) above will be effective as final rates until further Department action;

7. We find that Colgan Air, Inc., continues to be fit, willing, and able to operate as a certificated air carrier and is capable of providing reliable air service at Augusta/Waterville, Bar Harbor, Presque Isle, and Rockland, Maine;

8. We request that carriers interested in providing essential air service at Augusta/Waterville, Bar Harbor, Presque Isle, and Rockland, Maine, submit their proposals, with or without requests for subsidy, within 20 days of the service date of this order. An original and five copies of the proposal should be sent to the EAS and Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title: "Proposal to -Provide Essential Air Service at Augusta/Waterville, Bar Harbor, Presque Isle, and Rockland, Maine, Docket OST-1997-2704 and OST-2000-8012;¹⁰

⁷ See Appendix C-1 for calculation.

⁸ See Appendix C-2 for calculation.

⁹ See Appendix C-3 for calculation.

¹⁰ After serving a copy of its proposal on the civic officials of Augusta/Waterville, Bar Harbor, Presque Isle, and Rockland, Maine, and each of the other applicants, each applicant must then file a certification of service with the Department's Docket Operations and Media Management Division M-30. Questions regarding filings in response to this order may be directed to Kevin Adams at (202) 366-1047.

9. We direct Colgan Air, Inc., to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for 7 years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

10. This docket will remain open until further order of the Department;

11. We tentatively terminate the subsidy rate authorized for the provision of essential air service at Rutland, Vermont, as of August 1, 2003;

12. We tentatively allow Colgan Air, Inc., d/b/a US Airways Express, to suspend service at Rutland, Vermont, as of August 1, 2003;

13. We direct all interested persons to show cause within 20 days of the date of service of this order why we should not make final the tentative findings and conclusions set forth above. Objections should be filed with the Docket Operations and Media Management Division, M-30, Room PL-401, 400 7th Street S.W., Washington, DC 20590;¹¹

14. In the event that no objections are filed, all further procedural steps will be deemed waived and this order shall become final on the 21st day following its date of service;

15. These dockets will remain open until further order of the Department; and

16. We will serve a copy of this order on the Mayors and airport managers of Augusta/Waterville, Bar Harbor, Presque Isle, and Rockland, Maine, the Maine Department of Transportation, Rutland, Vermont, the Vermont Department of Transportation, Colgan Air, Inc., and the carriers listed in Appendix E.

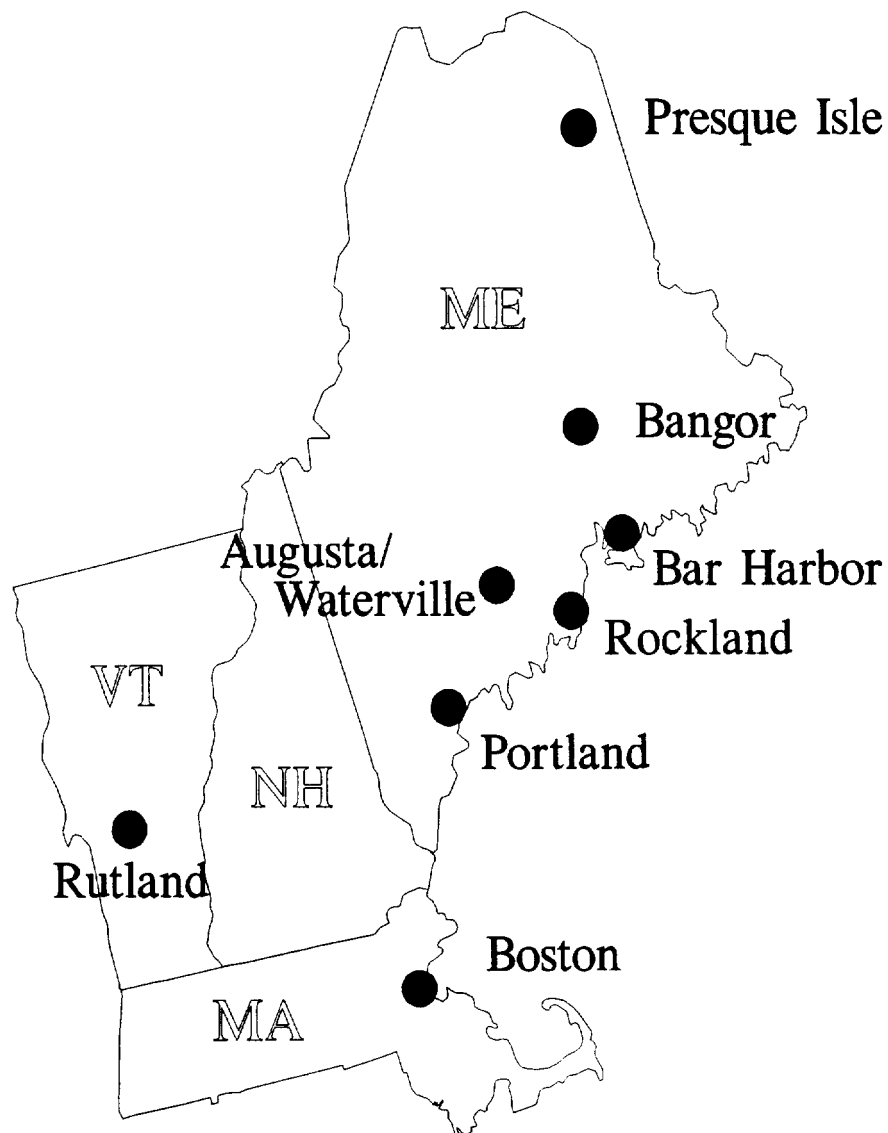
By:

READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://dms.dot.gov>*

¹¹ In addition, copies of objections may be faxed to the Chief, EAS & Domestic Analysis Division, at (202) 366-7638. Regardless of whether copies are faxed to the EAS & Domestic Analysis Division, all objections should be filed with the Docket Operations and Media Management Division at the above address.



Mileages to Boston

Augusta/Waterville	148
Bar Harbor	196
Presque Isle	332
Rockland	152
Rutland	127

Essential Air Service to be Provided by Colgan Air at Presque Isle, Augusta, Bar Harbor, and Rockland, Maine, and Rutland Vermont

Docket Number	8012	2784	2784
	<u>Presque Isle</u>	<u>Rutland</u>	<u>Augusta, Bar Harbor, and Rockland</u>
Block Hours	3,035	1,665	5,286
BOS/LGA Landings	958	908	2,421
Passengers	23,671	4,067	37,867
Total Pax. Revenue	\$2,603,810	\$327,041	\$3,748,394
<u>Other Rev. @ .6%</u>	<u>\$15,623</u>	<u>\$1,962</u>	<u>\$22,490</u>
Total Revenue	\$2,619,433	\$329,003	\$3,770,884
Flying Operations	\$375,193	\$184,475	\$609,019
Maintenance	\$985,383	\$540,759	\$1,716,787
Fuel	\$485,440	\$266,400	\$845,760
Insurance	\$119,296	\$53,236	\$238,235
<u>B-1900D Lease</u>	<u>\$288,000</u>	<u>\$172,800</u>	<u>\$576,000</u>
Total Directs	\$2,253,312	\$1,217,670	\$3,985,801
Total Indirects	\$1,351,991	\$538,433	\$2,660,453
Total Operating	\$3,605,303	\$1,756,103	\$6,646,254
<u>Return @ 5%</u>	<u>\$180,265</u>	<u>\$87,805</u>	<u>\$332,313</u>
Economic Cost	\$3,785,568	\$1,843,908	\$6,978,567
Annual Subsidy @ 97%	\$1,166,135	\$1,514,905	\$3,207,683

1/ Hours and Departures

Presque Isle: 38 flts./week x 95 min. x 52 weeks x .97/60 = 3,035 hrs., 1,917 deps.

Rutland: 36 flts./week x 55 min. x 52 weeks x .97/60 = 1,665 hrs., 1,816 deps.

BHB/RKD/AUG: 5,286 hrs., 6,608 deps.

<u>Departures, Flight and Block Time</u>	<u>Weekly Blk. Minutes</u>
AUG-BOS, 7 flts./week x 41 flt.min. [54 blk]	378
BOS-BHB-BOS, 6 flts./week x (51+51)flt. min. [65 blk]	780
BOS-RKD-BHB-RKD-BOS, 5/week x (42+15+15+42)flt.min.[55+22]blk.	770
BOS-RKD-AUG-BOS, 6 flts./week x (42+15+41)flt.min.[55+22+54]blk.	786
BOS-RKD-AUG, 7 flts./week x (42+15)flt.min.[55+22] blk.	539
BHB-RKD-BOS, 7 flts./week x (15+42)flt.min. [22+55] blk.	539
BOS-AUG-RKD-BOS, 6 flts./week x (41+15+42)flt.min. [54+22+55] blk.	786
BOS-AUG-BOS, 5 flts./week x (41+41)flt.min.[54]blk.	540
BOS-BHB-BOS, 6 flts./week x (51+51)flt.min.[65]blk.	780
BOS-BHB, 6 flts./week x 51flt. min.[65]blk.	390
	6,288
97% Completion, 52 weeks, 60min./hr.	5,286

Colgan Air, Inc., Essential Air Service to be Provided to Augusta/Waterville, Bar Harbor, and Rockland, Maine, Docket OST-97-2784

Effective Period: January 1, 2003, through May 31, 2005, or until further Department action.

Scheduled Service: Augusta/Waterville: 12 nonstop and 12 one-stop round trips each week to Boston; Bar Harbor: 12 nonstop and 12 one-stop round trips each week to Boston; Rockland: 18 nonstop and 6 one-stop round trips each week to Boston;

Aircraft: Beech 1900-D.

Rate per Boston Flight: \$441.65 ¹

Weekly Ceiling at each Community: \$21,199.2 ²

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ Annual compensation of \$3,207,683 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor at each community:

48 departures/arrivals x 52 weeks x .97 x 3 communities = 7,263 total.

² 48 flights/week/community x \$441.65.

**Colgan Air, Inc., Essential Air Service to be Provided to Rutland, Vermont,
Docket OST-97-2784**

Effective Period: January 1, 2003, until further Department action.

Scheduled Service: 18 nonstop round trips each week to Boston;

Aircraft: Beech 1900-D.

Rate per Boston Flight: \$834.20 ¹

Weekly Ceiling at each Community: \$30,031.2 ²

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ Annual compensation of \$1,514,905 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor at each community: 36 departures/arrivals x 52 weeks x .97 = 1,816 total.

² 36 flights per week x \$834.20.

**Colgan Air, Inc., Essential Air Service to be Provided to Presque Isle, Maine,
Docket OST-00-8012**

Effective Period: June 1, 2003, through May 31, 2005, or until further Department action.

Scheduled Service: 19 nonstop round trips each week to Boston;

Aircraft: Beech 1900-D.

Rate per Boston Flight: \$608.31 ¹

Weekly Ceiling at each Community: \$23,115.78 ²

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ Annual compensation of \$1,166,135 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor at each community: 38 departures/arrivals x 52 weeks x .97 = 1,917 total.

² 38 flights per week x \$608.31.

Appendix D

Historical O&D Traffic, All Service

<u>Calendar</u>					
<u>Year</u>	<u>Augusta</u>	<u>Bar Harbor</u>	<u>Presque Isle</u>	<u>Rockland</u>	<u>Rutland</u>
1992	14,784	9,037		12,275	3,152
1993	10,564	9,813		6,113	2,151
1994	4,971	10,522		8,046	6,261
1995	9,997	13,126		9,460	7,403
1996	6,866	14,829		9,656	6,215
1997	6,035	16,722		12,260	4,794
1998	8,171	19,634		6,503	8,004
1999	6,649	22,786		14,347	7,153
2000	8,601	27,893		15,134	7,890
2001	8,142	24,012	22,526	13,860	5,348
2002	8,053	23,599	33,253	13,075	4,262

Note: Reflects subsidized service in the peaks at Bar Harbor, Presque Isle, and Rockland exceeding the required level. Also, traffic in 1996 and 1997 were depressed when the Department reduced required service to ten round trips a week. Colgan began service at Presque Isle in May of 2001.

SERVICE LIST FOR THE STATE OF MAINE

Acadia Air, Inc.
Amerijet International, Inc.
Aroostook Aviation, Inc.
Colgan Air
Corporate Air, Inc.
Corporate Airlines, Inc.
Delta Connection
Florida Air, Inc.
Lands Ending Corporation
Maine Instrument Flight School
Midwest Express Airlines, Inc.
Northeast Express Regional Airlines, Inc.
Spectrum Airlines, Inc.
Valley Air Services, Inc.
Westward Airways, Inc.

Chester Anderson
Ken Bannon
Grecorio Salas Calvo, Jr.
Sabrina Cranor
Joel DeGrandis
Doug Franklin
E.B. Freeman
Robert Hart
A. Edward Jenner
Lee Mason
Eric Nordling